



**Delaware Transportation Authority  
Transportation Trust Fund**

**Financial Statements**

**June 30, 2008 and 2007**

**(With Independent Auditors' Report Thereon)**

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# **Delaware Transportation Authority Transportation Trust Fund**

## **Management's Discussion and Analysis**

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2008.

### **Background**

In 1987, to facilitate the Authority's development of a unified transportation system in the State of Delaware (the State) and to take advantage of the Authority's broad financing powers, the Trust Fund was created to consolidate and dedicate transportation-related revenue to transportation projects and to provide a flexible mechanism to handle the increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation, operating, and capital expenditures. Funding for such expenditures is derived from bond proceeds, excess Trust Fund revenue, and cash balances.

The Trust Fund has pledged the following revenue to secure their outstanding bonds: Motor Fuel Taxes, Delaware Turnpike Tolls and Concessions, Motor Vehicle Document and Registration Fees, Miscellaneous Transportation Revenue, including operator license and titling fees, and investment earnings. Route 1 (SR-1) toll road revenue and certain miscellaneous revenues, including transfers from the State of Delaware General Fund, have not been pledged and, therefore, are not used to secure the Trust Fund's bonds.

### **Financial Highlights**

- On October 1, 2007, several Trust Fund pledged revenue sources had fee increases. Increased fees were imposed in several categories; including motor vehicle document fees, motor vehicle registration, title fees, and Delaware Turnpike toll rates.
- SR-1 tolls (a nonpledged revenue source) were also increased, effective October 1, 2007.
- As a result of the aforementioned increases, Turnpike revenue for fiscal year 2008 was \$117.9 million, a 21.9% increase over fiscal year 2007.
- Motor vehicle registration fee revenue was \$41.3 million, a 31.1% increase over fiscal year 2007.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

- Toll revenues on SR-1 reached \$40.5 million, a 24.2% increase over fiscal year 2007.
- The Authority took advantage of lower interest rates and went to the bond market in June 2008, issuing \$84.7 million in new senior revenue bonds. The new issue provided for an advance refunding of \$41.3 million of existing bonds. The advance refunding resulted in an economic gain of \$2.3 million.
- Total Trust Fund operating revenues increased \$48.8 million to \$418.4 million, a 13.2% increase over fiscal year 2007.

**Overview of the Financial Statements**

The financial section of this annual report consists of five parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) additional information.

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Trust Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets.

**Financial Analysis of the Trust Fund**

*Balance Sheets*

The Trust Fund's total assets decreased 2.2% to \$1,334.5 million, and total liabilities decreased 3.5% to \$1,066.1 million. Net assets at June 30, 2008 were \$268.4 million, a 3.4% increase from June 30, 2007.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

Transportation Trust Fund's Net Assets  
*(in millions of dollars)*

	<u>2008</u>	<u>2007</u>	<u>Percentage Change 2008-2007</u>
Current assets	\$ 198.9	\$ 278.5	(28.6)
Capital assets	1,063.9	1,015.5	4.8
Other noncurrent assets	<u>71.7</u>	<u>70.0</u>	2.4
Total assets	<u>\$1,334.5</u>	<u>\$1,364.0</u>	(2.2)
Current liabilities	\$ 122.6	\$ 127.3	(3.7)
Revenue bonds payable	919.4	951.2	(3.3)
Other noncurrent liabilities	<u>24.1</u>	<u>25.8</u>	(6.6)
Total liabilities	<u>\$1,066.1</u>	<u>\$1,104.3</u>	(3.5)
Net assets			
Invested in capital assets, net of debt	\$ 56.8	\$ 37.6	51.1
Restricted	149.3	152.8	(2.3)
Unrestricted	<u>62.3</u>	<u>69.3</u>	(10.1)
Total net assets	<u>\$ 268.4</u>	<u>\$ 259.7</u>	3.4

The decrease in current assets is attributed to lower investment balances due to a substantially smaller new money bond issue.

*Change in Net Assets*

The increase in net assets at June 30, 2008 was \$8.7 million, compared to an increase of \$42.8 million at June 30, 2007. The increase is primarily due to the increased revenues as a result of the new fee and toll increases. The increase was reduced due to the suspension of the \$24 million escheat payment for fiscal year 2008, and the one-time General Fund contribution of \$50 million that was made in fiscal year 2007. The Trust Fund's total operating expenses increased 2.6% to \$394.2 million.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

Change in the Transportation Trust Fund's Net Assets  
(in millions of dollars)

	<u>2008</u>	<u>2007</u>	<u>Percentage Change 2008-2007</u>
Operating revenues			
Turnpike revenue	\$117.9	\$ 96.7	21.9
Motor fuel tax	117.7	117.5	0.2
Motor vehicle document fee	64.6	62.7	3.0
Motor vehicle registration fee	41.3	31.5	31.1
Other motor vehicle revenue	24.2	20.5	18.0
International Fuel Tax Agreement	5.1	3.3	54.5
Toll revenue - SR 1	40.5	32.6	24.2
Miscellaneous revenue	<u>7.1</u>	<u>4.8</u>	47.9
Total operating revenues	<u>\$418.4</u>	<u>\$369.6</u>	13.2
Operating expenses			
Toll operations expenses	\$ 17.5	\$ 17.1	2.3
Capital preservation and operations	305.3	302.1	1.1
DTC operations	71.2	64.9	9.7
Depreciation	<u>0.2</u>	<u>0.2</u>	-
Total operating expenses	<u>\$394.2</u>	<u>\$384.3</u>	2.6
Operating income (loss)	\$ 24.2	\$ (14.7)	264.6
Nonoperating expenses - net	(26.2)	(27.4)	(4.4)
Transfers	<u>10.7</u>	<u>84.9</u>	(87.4)
Change in net assets	8.7	42.8	(79.7)
Total net assets, beginning of year	<u>259.7</u>	<u>216.9</u>	19.7
Total net assets, end of year	<u>\$268.4</u>	<u>\$259.7</u>	3.4

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

During fiscal year 2008, the following transfers were received from the State's General Fund: \$2.8 million of Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees, and \$2.9 million for the Department of Motor Vehicles. For the fiscal year 2007, \$74.0 million of General Fund support was received in addition to \$2.7 million of Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees, and \$2.7 million for the Department of Motor Vehicles.

**Capital Assets and Debt Administration**

*Capital Assets*

As of June 30, 2008, the Trust Fund had invested \$1,066.8 million in capital assets, including roads, bridges, buildings, land, and equipment for Delaware's two toll roads. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2008 totaled \$1,063.9 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$48.4 million, primarily for the I-95 expansion project and the US 301 toll road project.

The State is using the "modified approach" for determining condition assessments on their roads and bridges. The modified approach requires that the State initially set a percentage benchmark for maintaining their infrastructure in good or better condition and report at least every three years on their condition assessments.

It is the Delaware Department of Transportation's (the Department) policy to maintain at least 85% of its highway system at a fair or better condition rating and 75% of its bridge system at a good or better condition rating as follows:

The condition of the road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

The condition of the bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 4 for substandard bridges to 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9, with 5 being assessed a fair rating.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

The Department performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every year and bridge condition assessments are conducted every two years.

At December 31, 2007, 91.3% of the Trust Fund's roadway condition assessments were in the fair or better category, a 6.1% decrease from 2006 (7.55 miles or 6.3% of the roadways were unrated due to construction). 91.3% of the bridge structures were in the good or better category, virtually unchanged from 2006 (91.4%), and 97.9% of the bridge deck ratings were in the good or better category, unchanged from 2006.

*Debt Administration*

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2008, the Authority had \$992.6 million in revenue bonds outstanding, a 2.6% decrease from June 30, 2007. During fiscal year 2008, the Authority issued Transportation System Senior Revenue Bonds, 2008A Series, in the amount of \$84.7 million resulting in new money of \$43.4 million and an advance refunding of \$41.3 million of previously outstanding bonds. Of the 12 outstanding bond issues, all insured bonds are rated AAA by S&P and Aaa by Moody's; and the uninsured bonds are rated AA+ and Aa3, respectively.

**Next Year's Budget**

The Department's fiscal year 2009 Operating Annual Budget adopted by the General Assembly in June 2008 totals \$352.6 million and the fiscal year 2009 Capital Improvements Act totals \$268.6 million in State authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$162.2 million of Road System, \$24.6 million of Grants and Allocations, \$24.9 million of Transit System, and \$56.9 million for Support System. The spending of these capital authorizations will occur over several years. The capital spending forecast for fiscal year 2009 is \$536.3 million, inclusive of \$290.8 and \$245.5 million in state and federal funding, respectively.



**Delaware Transportation Authority  
Transportation Trust Fund**

**Management's Discussion and Analysis (Continued)**

**Contacting the Trust Fund's Financial Management**

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Trust Fund's finances and to demonstrate the Trust Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware Department of Transportation, Finance Unit, P.O. Box 778, Dover, DE 19903.



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## **Independent Auditors' Report**

The Board of Directors  
Delaware Transportation Authority  
Transportation Trust Fund  
Dover, Delaware

We have audited the accompanying balance sheet of the State of Delaware Transportation Trust Fund (TTF), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of June 30, 2008 and 2007, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of TTF management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TTF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the State of Delaware Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2008 and 2007, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Delaware Transportation Trust Fund as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 3 through 9 and 41 and 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



The additional information, as listed in the table of contents and presented on pages 44 through 55, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any other form of assurance on the additional information.

KPMG LLP

October 15, 2008

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheets**

**June 30, 2008 and 2007  
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Unrestricted	\$ 9,795,012	\$ 7,438,160
Restricted	20,970	33,846
Investments - at fair value		
Unrestricted	74,918,406	155,311,250
Restricted	107,261,707	109,086,650
Accrued interest receivable	736,111	2,099,327
Accounts receivable	4,936,976	3,284,837
Loan receivable	1,245,511	1,198,203
	<hr/>	<hr/>
Total current assets	198,914,693	278,452,273
<b>NONCURRENT ASSETS</b>		
Capital assets		
Infrastructure and land	1,058,948,737	1,010,345,209
Buildings and land improvements	7,847,309	7,847,309
	<hr/>	<hr/>
	1,066,796,046	1,018,192,518
Less: accumulated depreciation	2,913,695	2,724,106
	<hr/>	<hr/>
Capital assets	1,063,882,351	1,015,468,412
Investments - at fair value		
Unrestricted	7,851,390	3,246,128
Restricted	41,619,183	43,252,196
Accrued interest receivable	80,068	80,203
Loans receivable	22,182,092	23,462,845
	<hr/>	<hr/>
Total noncurrent assets	1,135,615,084	1,085,509,784
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,334,529,777</u></u>	<u><u>\$ 1,363,962,057</u></u>

See notes to financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheets**

**June 30, 2008 and 2007  
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,583,158	\$ 18,824,377
Accrued payroll payable	451,704	408,970
Compensated absences payable	47,055	45,239
Customer toll deposits	6,040,406	5,174,547
Deferred revenue	3,013,425	4,313,896
General obligation bonds payable	676,105	599,955
Revenue bonds payable - net of deferred amounts on refunding	73,213,228	67,640,000
Bond issue premium - net of accumulated amortization	6,778,782	6,623,371
Interest payable	<u>21,821,745</u>	<u>23,636,964</u>
 Total current liabilities	 122,625,608	 127,267,319
<b>NONCURRENT LIABILITIES</b>		
Compensated absences - net of current portion	341,839	312,340
General obligation bonds payable - net of current portion	2,106,901	2,783,007
Revenue bonds payable - net of deferred amounts on refunding and current portion	919,422,825	951,175,000
Bond issue premium - net of accumulated amortization and current portion	<u>21,585,782</u>	<u>22,730,536</u>
 Total noncurrent liabilities	 <u>943,457,347</u>	 <u>977,000,883</u>
 Total liabilities	 1,066,082,955	 1,104,268,202
<b>NET ASSETS</b>		
Invested in capital assets - net of related debt	56,797,068	37,595,366
Restricted	149,305,811	152,828,438
Unrestricted	<u>62,343,943</u>	<u>69,270,051</u>
 Total net assets	 <u>268,446,822</u>	 <u>259,693,855</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,334,529,777</u></u>	 <u><u>\$ 1,363,962,057</u></u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Revenues, Expenses, and  
Change in Net Assets**

**For the Years Ended June 30, 2008 and 2007  
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Pledged revenue		
Turnpike revenue	\$ 117,869,057	\$ 96,747,605
Motor fuel tax revenue	117,746,431	117,483,765
Motor vehicle document fee revenue	64,615,743	62,689,492
Motor vehicle registration fee revenue	41,292,780	31,463,949
Other motor vehicle revenue	24,170,235	20,475,403
International Fuel Tax Agreement revenue	<u>5,119,792</u>	<u>3,319,506</u>
Total pledged revenue	370,814,038	332,179,720
Toll revenue - Delaware SR-1	40,509,218	32,606,361
Property management revenue	844,244	426,992
Railway tolls	1,634,676	1,498,998
Traffic violations	1,605,505	333,383
Miscellaneous revenue	<u>2,968,988</u>	<u>2,541,277</u>
Total operating revenues	418,376,669	369,586,731
<b>OPERATING EXPENSES</b>		
Expressways Operations/Toll Administration and interstate operating expenses	17,511,444	16,282,224
Claims and judgments	-	769,231
Expenses in accordance with Trust Agreement		
Transportation capital preservation and operations	305,345,320	302,067,006
Delaware Transit Corporation operations	71,153,800	64,949,492
Depreciation	<u>189,589</u>	<u>190,452</u>
Total operating expenses	<u>394,200,153</u>	<u>384,258,405</u>
<b>OPERATING INCOME (LOSS)</b>	24,176,516	(14,671,674)

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Revenues, Expenses, and  
Change in Net Assets (Continued)**

**For the Years Ended June 30, 2008 and 2007  
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
NONOPERATING REVENUES (EXPENSES)		
Pledged revenue - income from investments	\$ 10,776,335	\$ 14,774,453
Net increase in the fair value of investments	1,187,827	783,536
Interest income	134,572	180,083
Interest expense	<u>(38,305,211)</u>	<u>(43,207,653)</u>
Excess of nonoperating expenses over nonoperating revenues	<u>(26,206,477)</u>	<u>(27,469,581)</u>
LOSS BEFORE TRANSFERS	(2,029,961)	(42,141,255)
TRANSFER FROM DELAWARE DEPARTMENT OF TRANSPORTATION	5,093,131	5,494,308
TRANSFER FROM STATE GENERAL FUND	<u>5,689,797</u>	<u>79,408,528</u>
CHANGE IN NET ASSETS	8,752,967	42,761,581
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>259,693,855</u>	<u>216,932,274</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 268,446,822</u></u>	<u><u>\$ 259,693,855</u></u>

See notes to financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Cash Flows**

**For the Years Ended June 30, 2008 and 2007  
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 416,289,918	\$ 373,292,805
Payments to employees	(7,086,057)	(7,062,116)
Payments to suppliers	<u>(395,091,677)</u>	<u>(386,042,796)</u>
Net cash flows provided by (used in) operating activities	14,112,184	(19,812,107)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from State General Fund	5,689,797	79,408,528
Transfers from Delaware Department of Transportation	<u>5,093,131</u>	<u>5,494,308</u>
Net cash flows provided by noncapital financing activities	10,782,928	84,902,836
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments of revenue bond principal	(67,640,000)	(61,370,000)
Payment to escrow agent for refunding of revenue bonds	(42,695,663)	(88,415,000)
Proceeds from revenue bond sale	84,720,000	215,335,000
Payments of general obligation bond principal	(599,956)	(865,109)
Premium from revenue bond sale	5,110,752	6,179,669
Acquisition of capital assets	(48,603,528)	(5,497,562)
Payments of interest	<u>(46,783,809)</u>	<u>(51,120,184)</u>
Net cash flows provided by (used in) capital and related financing activities	(116,492,204)	14,246,814
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment on loan receivable	1,233,445	11,745,028
Purchase of investments	(2,743,273,879)	(3,760,915,962)
Proceeds from sale of investments	2,823,707,244	3,661,278,121
Interest received	<u>12,274,258</u>	<u>13,586,217</u>
Net cash flows provided by (used in) investing activities	<u>93,941,068</u>	<u>(74,306,596)</u>
Net increase in cash and cash equivalents	2,343,976	5,030,947
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>7,472,006</u>	<u>2,441,059</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 9,815,982</u></u>	<u><u>\$ 7,472,006</u></u>

Continued...



**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Cash Flows (Continued)**

**For the Years Ended June 30, 2008 and 2007**

**See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 24,176,516	\$ (14,671,674)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	189,589	190,452
Changes in assets and liabilities		
Increase in accounts receivable	(1,652,139)	(742,143)
Increase (decrease) in accounts payable	(8,241,219)	2,078,035
Increase in accrued payroll and related expenses	74,049	115,775
Increase in customer toll deposits	865,859	5,174,547
Decrease in deferred revenue	(1,300,471)	(726,330)
Decrease in other accrued expenses	-	(11,230,769)
	<u>\$ 14,112,184</u>	<u>\$ (19,812,107)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest capitalized on Diamond State Port Corporation loan	<u>\$ -</u>	<u>\$ 1,181,392</u>

See notes to financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements**

**See Independent Auditors' Report**

**Note A - Organization and Trust Agreements**

**1. Organization**

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, and specialized transportation in the State, subject to oversight by the Department and the State.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund), within the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads, both of which the Authority owns and operates. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects.

The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note A - Organization and Trust Agreements (Continued)**

**2. Trust Agreements**

The Trust Agreements in effect at June 30, 2008 and 2007 are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented.

The Trust Agreement is a bond indenture, intended to ensure payment to bond holders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department.

The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

**Note B - Summary of Significant Accounting Policies**

**1. Basis of Accounting**

The Authority operates as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

**2. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note B - Summary of Significant Accounting Policies (Continued)**

**3. Allowance for Doubtful Accounts**

Accounts receivable are expected to be fully collectible at June 30, 2008 and 2007, and accordingly, a provision for uncollectible accounts has not been established.

**4. Investments**

Investments are recorded at their fair value. Investments at June 30, 2008 and 2007 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

**5. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**6. Financial Accounting Standards Board (FASB) Pronouncements**

The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

**7. Capital Assets**

Capital assets, which include buildings, land, land improvements, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the enterprise fund financial statements.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note B - Summary of Significant Accounting Policies (Continued)**

**7. Capital Assets (Continued)**

It is the policy of the State to capitalize land and buildings, regardless of cost, to capitalize improvements to land and buildings when the costs of projects exceed \$100,000, and to capitalize infrastructure when the costs of individual items or projects exceed \$1 million. The Trust Fund follows the State's policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

Such assets are recorded at historical cost or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings and land improvements are depreciated on a straight-line basis.

For assets not part of infrastructure, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the State uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34. Under this process, the Authority does not record depreciation expense or the amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

The Authority maintains two asset management systems, one for the roads and one for the bridges. In addition, the Authority completes condition assessments on its roads every year and on its bridges at least every two years.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note B - Summary of Significant Accounting Policies (Continued)**

**7. Capital Assets (Continued)**

Buildings and land improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	15

**8. Compensated Absences**

Compensated absences are absences for which Expressways Operations/Toll Administration employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees are accounted for in the period in which such services are rendered or such events take place.

**9. Bond Issue Premiums**

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Net amortization resulted in \$6,679,864 and \$7,078,956 of reductions of interest expense in 2008 and 2007, respectively.

**10. Revenues and Expenses**

The Authority defines nonoperating revenues as investment and interest income. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense. All other expenses are a result of normal operations.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments**

***Cash Management Policy and Investment Guidelines***

The policy for the investment of Authority funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2008 and 2007, investments of the Authority are primarily in U.S. Government Securities, U.S. Government Agency Securities, and Commercial Paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at [www.state.de.us/treasure](http://www.state.de.us/treasure).

***Custodial Credit Risk***

**1. Deposits**

The carrying amounts of the Authority's deposits at June 30, 2008 and 2007 were \$9,815,982 and \$7,472,006, respectively, and the bank balances were \$8,328,414 and \$6,563,855, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2008 and 2007 of \$8,328,414 and \$6,563,855, respectively, were covered by federal depository insurance for \$100,000 or by collateral held by the Authority's Trustee, in the Authority's name, for the remainder, in accordance with the Policy and the Trust Agreement.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments (Continued)**

***Custodial Credit Risk (Continued)***

**2. Investments**

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2008 and 2007, all of the Authority's investments were insured or registered with securities held by the Authority or the counterparty in the Authority's name.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities.

<u>June 30, 2008</u>		<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 10,376,674	\$ 4,134,902	\$ 6,241,772	\$ -
U.S. Government Agency Securities	155,597,417	112,368,616	37,770,057	5,458,744
Commercial Paper	<u>65,676,595</u>	<u>65,676,595</u>	<u>-</u>	<u>-</u>
	<u>\$231,650,686</u>	<u>\$182,180,113</u>	<u>\$44,011,829</u>	<u>\$5,458,744</u>



**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments (Continued)**

***Interest Rate Risk (Continued)***

<u>June 30, 2007</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 15,900,311	\$ 7,832,298	\$ 8,068,013	\$ -
U.S. Government Agency Securities	155,547,829	117,117,518	38,430,311	-
Commercial Paper	<u>139,448,084</u>	<u>139,448,084</u>	<u>-</u>	<u>-</u>
	<u>\$310,896,224</u>	<u>\$264,397,900</u>	<u>\$46,498,324</u>	<u>\$ -</u>

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the Policy and the Trust Agreement by investing only in authorized securities. The Authority's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of \$65,676,595 and \$139,448,084 at June 30, 2008 and 2007, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust Agreement. The investments in U.S. Government Agency Securities all carried the highest rating by Moody's and Standard & Poor's. All remaining investments were in U.S. Government Securities, which carry no credit risk.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note C - Cash and Investments (Continued)**

***Investments in Excess of 5%***

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2008:

Federal National Mortgage Association	\$85,111,688	37%
Federal Home Loan Mortgage Corporation	70,485,729	30%
Toyota Motor Credit Company Note	15,000,000	6%

***Investment Commitments***

The Authority has made no investment commitments as of June 30, 2008.

**Note D - Accounts Receivable**

Balances in accounts receivable were as follows at June 30,:

	<u>2008</u>	<u>2007</u>
Concessions - The Authority leases space along the Delaware Turnpike for concessionaires. Rental income is based upon monthly sales and is due the following month.	\$ 199,399	\$ 193,148
Railway tolls	795,000	750,000
DMV direct access	602,062	-
E-ZPass revenues	<u>3,340,515</u>	<u>2,341,689</u>
	<u>\$4,936,976</u>	<u>\$3,284,837</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note E - Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$ 888,901,105	\$47,603,528	\$ -	\$ 936,504,633
Land	<u>121,444,104</u>	<u>1,000,000</u>	<u>-</u>	<u>122,444,104</u>
	<u>\$1,010,345,209</u>	<u>\$48,603,528</u>	<u>\$ -</u>	<u>\$1,058,948,737</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	7,847,309	-	-	7,847,309
Less: accumulated depreciation for buildings and land improvements	<u>2,724,106</u>	<u>189,589</u>	<u>-</u>	<u>2,913,695</u>
Total capital assets being depreciated, net	<u>\$ 5,123,203</u>	<u>\$ (189,589)</u>	<u>\$ -</u>	<u>\$ 4,933,614</u>

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$ 883,503,233	\$5,397,872	\$ -	\$ 888,901,105
Land	<u>121,344,414</u>	<u>99,690</u>	<u>-</u>	<u>121,444,104</u>
	<u>\$1,004,847,647</u>	<u>\$5,497,562</u>	<u>\$ -</u>	<u>\$1,010,345,209</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	7,847,309	-	-	7,847,309
Less: accumulated depreciation for buildings and land improvements	<u>2,533,654</u>	<u>190,452</u>	<u>-</u>	<u>2,724,106</u>
Total capital assets being depreciated, net	<u>\$ 5,313,655</u>	<u>\$ (190,452)</u>	<u>\$ -</u>	<u>\$ 5,123,203</u>

Depreciation expense was \$189,589 and \$190,452 for fiscal years 2008 and 2007, respectively.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note F - Loans Receivable**

During fiscal year 2002, the Authority loaned \$27,500,000 to Diamond State Port Corporation. The funds were loaned at an interest rate of 4.6%. Originally, the loan was to be repaid in 40 semi-annual payments of \$1,058,920, with the final payment to be made in January 2023. The loan was subsequently restructured effective July 1, 2004. Unpaid interest through January 1, 2005, in the amount of \$1,911,372, was capitalized into the loan balance and the payments were deferred until July 1, 2005. Effective July 1, 2005, the loan was again restructured. Additional unpaid interest through January 1, 2006, in the amount of \$1,386,641, was capitalized into the loan balance and the payments were deferred until July 1, 2006. Effective July 1, 2006, the loan was again restructured. Additional unpaid interest through January 1, 2007, in the amount of \$1,181,392, was capitalized into the loan balance. The State paid \$10,000,000 towards the principal of the loan on behalf of the Diamond State Port Corporation in August 2006. The remaining principal amount due was \$21,259,658. The interest rate on the restructured loan remains at 4.6%. The loan is currently to be repaid in four semi-annual payments of \$500,000, commencing on March 31, 2007, and 40 semi-annual payments of \$808,798, commencing on March 31, 2009, with the final payment to be made on May 31, 2028. At June 30, 2008 and 2007, the outstanding loan balance was \$20,887,406 and \$20,922,649, respectively.

The Diamond State Port Corporation will only be able to repay this loan with continued annual support from the General Assembly. While funds have not been committed, it is the expectation of management that the required support will be appropriated each year.

During fiscal year 2005, the Department reached a settlement agreement with CSX Transportation, Inc. (CSX), in which CSX agreed to fund a portion of the costs of reconstruction of certain railway bridges in the City of Wilmington, Delaware. The settlement was for \$6,000,000, and has been recorded as a loan receivable and deferred revenue in the accompanying balance sheets. Payments are received in 10 semi-annual installments of \$666,387, including interest at 3.91%. Revenue is recorded as actual expenses are incurred. Revenue recorded for the years ended June 30, 2008 and 2007 was \$1,300,471 and \$726,330, respectively. Remaining deferred revenue at June 30, 2008 and 2007 was \$3,013,425 and \$4,313,896, respectively.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note F - Loans Receivable (Continued)**

The Department has requested federal assistance with these projects. To the extent such federal assistance is received, the loan balance may be reduced in future periods by 75% of the total federal assistance received, in accordance with the settlement agreement. The loan balance at June 30, 2008 and 2007 was \$2,540,197 and \$3,738,399, respectively.

**Note G - Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds, gross	\$1,018,815,000	\$84,720,000	\$(108,960,000)	\$ 994,575,000	\$73,510,000
Deferred amount on refunding	<u>-</u>	<u>(1,955,434)</u>	<u>16,487</u>	<u>(1,938,947)</u>	<u>(296,772)</u>
Revenue bonds, net	1,018,815,000	82,764,566	(108,943,513)	992,636,053	73,213,228
General obligation bonds	3,382,962	-	(599,956)	2,783,006	676,105
Bond issue premium, net of accumulated amortization	29,353,907	5,110,752	(6,100,095)	28,364,564	6,778,782
Compensated absences	<u>357,579</u>	<u>31,315</u>	<u>-</u>	<u>388,894</u>	<u>47,055</u>
Long-term liabilities	<u>\$1,051,909,448</u>	<u>\$87,906,633</u>	<u>\$(115,643,564)</u>	<u>\$1,024,172,517</u>	<u>\$80,715,170</u>

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$ 953,265,000	\$215,335,000	\$(149,785,000)	\$1,018,815,000	\$67,640,000
General obligation bonds	4,248,071	-	(865,109)	3,382,962	599,955
Bond issue premium, net of accumulated amortization	30,894,855	6,179,669	(7,720,617)	29,353,907	6,623,371
Claims and judgments	11,230,769	-	(11,230,769)	-	-
Compensated absences	<u>395,821</u>	<u>-</u>	<u>(38,242)</u>	<u>357,579</u>	<u>45,239</u>
Long-term liabilities	<u>\$1,000,034,516</u>	<u>\$221,514,669</u>	<u>\$(169,639,737)</u>	<u>\$1,051,909,448</u>	<u>\$74,908,565</u>

The Authority is responsible for liquidating all long-term liabilities.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note H - General Obligation Bonds Outstanding**

General obligation bonds outstanding at June 30, 2008 and 2007 are detailed as follows:

<u>Sale #</u>	<u>Description and Interest Rates</u>	<u>Maturity Date (Fiscal Year)</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2008</u>	<u>June 30, 2007</u>
194	GO 2005B, 5.00%	2024	\$ 802,982	\$ 911,910
191	GO + Refunding 2004A, 3.00-6.00%	2024	90,098	105,115
188	GO Refunding 2003B, 4.00-5.00%	2012	1,678,526	2,071,687
185	GO + Refunding 2002A, 4.00-5.25%	2023	211,400	264,250
177	GO 1997A, 5.00%	2007	<u>-</u>	<u>30,000</u>
	Totals		2,783,006	3,382,962
	Less: current portion		<u>676,105</u>	<u>599,955</u>
	Long-term portion		<u>\$2,106,901</u>	<u>\$2,783,007</u>

The general obligation bonds are direct obligations of the State of Delaware and are secured by the full faith and credit of the State. Only that portion of the bonds attributable to the Trust Fund have been reflected in these financial statements.

The annual requirement to amortize all general obligation bonds payable as of June 30, 2008 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2009	\$ 676,105	\$120,200	\$ 796,305
2010	655,588	86,522	742,110
2011	663,331	56,194	719,525
2012	346,503	30,923	377,426
2013	195,189	17,951	213,140
2014 - 2015	<u>246,290</u>	<u>13,914</u>	<u>260,204</u>
	<u>\$2,783,006</u>	<u>\$325,704</u>	<u>\$3,108,710</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note I - Revenue Bonds Outstanding**

Revenue bonds outstanding at June 30, 2008 and 2007 are detailed as follows:

Date of Issue/Maturity	Amount of Original Issue	Description and Interest Rates	Balance Outstanding	
			June 30, 2008	June 30, 2007
SENIOR BONDS				
1997/2017	\$120,640,000	Transportation System Senior Revenue Bonds, 1997 Series, 5.00%	\$ 3,885,000	\$ 7,550,000
1998/2016	60,560,000	Transportation System Senior Revenue Bonds, 1998 Series, 5.50%	7,450,000	51,985,000
2000/2020	83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	11,160,000	14,520,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50-5.00%	31,580,000	34,910,000
2002/2008	43,015,000	Transportation System Senior Revenue Bonds, 2002 Series, 5.00%	5,790,000	11,305,000
2002/2022	173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00-5.25%	105,710,000	112,910,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 4.50-5.00%	202,295,000	225,055,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 3.00-5.00%	157,070,000	160,705,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.00-5.00%	148,000,000	149,000,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50-5.00%	124,990,000	127,445,000
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00-5.00%	87,685,000	87,890,000
2008/2028	84,720,000	Transportation System Senior Revenue Bonds, 2008A Series, 4.00-5.00%	84,720,000	-

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note I - Revenue Bonds Outstanding (Continued)**

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2008</u>	<u>June 30, 2007</u>
JUNIOR BONDS				
2002/2009	\$48,120,000	Transportation System Junior Revenue Bonds, 2002 Series, 5.00%	<u>\$ 24,240,000</u>	<u>\$ 35,540,000</u>
		Totals, gross	994,575,000	1,018,815,000
		Less: deferred amount on refunding	<u>1,938,947</u>	<u>-</u>
		Totals, net	992,636,053	1,018,815,000
		Less: current portion	<u>73,213,228</u>	<u>67,640,000</u>
		Long-term portion	<u>\$919,422,825</u>	<u>\$ 951,175,000</u>

The Transportation System Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Authority. The pledged revenues of the Authority were as follows at June 30,:

	<u>2008</u>	<u>2007</u>
Pledged operating revenues	\$370,814,038	\$332,179,720
Investment income	<u>10,776,335</u>	<u>14,774,453</u>
	<u>\$381,590,373</u>	<u>\$346,954,173</u>

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State of Delaware or of any such political subdivision.

The Authority had a total of \$65,373,700 and \$62,938,525 in authorized but unissued revenue bonds at June 30, 2008 and 2007, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.



**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note I - Revenue Bonds Outstanding (Continued)**

The annual requirement to amortize all revenue bonds payable as of June 30, 2008 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2009	\$ 73,213,228	\$ 43,619,149	\$ 116,832,377
2010	74,089,970	41,794,915	115,884,885
2011	65,414,182	38,379,758	103,793,940
2012	66,074,360	35,101,071	101,175,431
2013	65,505,540	31,809,002	97,314,542
2014 - 2018	301,513,773	113,137,743	414,651,516
2019 - 2023	237,720,000	49,197,653	286,917,653
2024 - 2028	105,730,000	8,595,298	114,325,298
2029 - 2033	<u>3,375,000</u>	<u>73,828</u>	<u>3,448,828</u>
	<u>\$992,636,053</u>	<u>\$361,708,417</u>	<u>\$1,354,344,470</u>

On April 11, 2007, the Trust Fund issued \$87,890,000 of Transportation System Senior Revenue Bonds, 2007A Series to provide for an advance refunding of the following Transportation System Senior Revenue Bonds:

1997 Series	\$38,925,000
2001 Series	12,715,000
2002B Series	26,870,000
2003 Series	<u>9,905,000</u>
	<u>\$88,415,000</u>

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$2,803,107 and a reduction of \$3,225,552 in future debt service payments.

On June 11, 2008, the Trust Fund issued \$84,720,000 of Transportation System Senior Revenue Bonds, 2008A Series to provide \$43,400,000 in new proceeds for transportation projects and \$41,320,000 for an advance refunding of the following Transportation System Senior Revenue Bonds:

1998 Series	<u>\$41,320,000</u>
-------------	---------------------

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$2,331,457 and a reduction of \$2,395,586 in future debt service payments.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note J - Debt Defeasance**

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures.

For financial reporting purposes, the debt has been considered defeased, and therefore, removed as a liability. As of June 30, 2008 and 2007, the amount of defeased debt outstanding amounted to \$195,052,950 and \$229,220,000, respectively.

**Note K - Designated Net Assets**

For operations, unrestricted net assets designated by management were as follows at June 30,:

	<u>2008</u>	<u>2007</u>
<b>DTC Transit Fund</b>		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2008 and 2007, the DTC Transit Fund expended authorized appropriations amounting to \$71,153,800 and \$64,949,492, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$ 5,762,260	\$5,760,408
<b>Other Transportation Funds</b>		
Authorized appropriations expended to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2008 and 2007 were \$138,805,604 and \$157,947,082, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	<u>5,452,089</u>	<u>3,564,120</u>
Total designated net assets	<u>\$11,214,349</u>	<u>\$9,324,528</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note L - Restricted Net Assets**

Restricted net assets were as follows at June 30,:

	<u>2008</u>	<u>2007</u>
<b>Debt Service Funds</b>		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	\$ 95,104,326	\$ 91,270,440
<b>Debt Reserve Funds</b>		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	54,201,485	52,519,649
<b>Delaware State Infrastructure Bank (Note R)</b>	<u>-</u>	<u>9,038,349</u>
Total restricted net assets	<u>\$149,305,811</u>	<u>\$152,828,438</u>

**Note M - International Registration Plan**

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction.

Net revenues recorded during fiscal years 2008 and 2007 were \$8,762,938 and \$8,827,508, respectively. IRP fees were included in motor vehicle registration fee revenue.

**Note N - International Fuel Tax Agreement**

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Net revenues recorded during fiscal years 2008 and 2007 were \$5,119,792 and \$3,319,506, respectively.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note O - Retirement Benefits**

Essentially all full-time Expressways Operations/Toll Administration employees are covered under the State of Delaware Defined Benefit Pension Plan (the Pension Plan), which is administered by the Office of Pension and Investments. The Pension Plan is contributory, and employees contribute 3% of the portion of their monthly compensation that exceeds \$6,000 per calendar year. Contributions by the Expressways Operations/Toll Administration are based on percentages of total employee compensation as specified by the Office of Pension and Investments.

In addition to the Pension Plan contribution disclosed above, the Trust Fund makes contributions to finance the costs of Post Retirement Increases (PRI) and Retiree Health Insurance (RHI). PRI are granted by the General Assembly to members retired under the State Employees' Plan. The funding mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund administered by the Pension Board. When the Legislature grants an ad hoc increase, the actuarial impact of the increase is funded over five years.

The State also provides other post-employment benefits (OPEB), in accordance with State statute, to all employees who retire after meeting certain eligibility requirements. The expenses for this benefit are recognized as RHI contributions are made; no allocation of the statewide Annual Required Contribution (ARC) that is in excess of the RHI is made to the Trust Fund.

The following trend information for the current and preceding two years was as follows as of June 30,:

<u>Fiscal Year</u>	<u>Annual Retirement Expense</u>	<u>Pension Plan</u>	<u>Employer Contribution Rate</u>		<u>Total</u>
			<u>PRI</u>	<u>RHI</u>	
2008	\$644,134	7.07%	2.52%	6.99%	16.58%
2007	640,285	6.69%	2.62%	6.64%	15.95%
2006	570,474	6.12%	2.60%	6.30%	15.02%

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note O - Retirement Plan (Continued)**

The State does not maintain the Pension Plan and OPEB information by agency, and therefore, the Expressways Operations/Toll Administration's portion of the Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and nonvested accumulated plan benefits is not readily determinable.

Detailed information concerning the State of Delaware "State Employees Pension Plan" is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

Information regarding the OPEB valuation will be available in the State of Delaware comparative annual financial report beginning with the year ended June 30, 2008.

**Note P - Transfers from the State General Fund**

The State's General Assembly and the State's Division of Revenue transferred the following amounts from the State's General Fund to the Trust Fund during the years ended June 30,:

	<u>2008</u>	<u>2007</u>
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/ Lessor License and Document Fees	\$2,813,797	\$ 2,693,928
Amounts transferred to the Trust Fund:		
Supplemental appropriation from fiscal year Bond Bill	-	74,000,000
Division of Motor Vehicles	<u>2,876,000</u>	<u>2,714,600</u>
	<u>\$5,689,797</u>	<u>\$79,408,528</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note Q - Related Party Transactions**

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses paid out of the State's General Fund. In addition, the Trust Fund is responsible for maintaining funds appropriated by the General Assembly for the Delaware Transit Corporation (DTC), and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the years ended June 30, 2008 and 2007 were \$376,499,120 and \$367,016,498, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

**Note R - Delaware State Infrastructure Bank**

In 1998, the Authority entered into a cooperative agreement with the Federal Highway Administration (FHWA) to establish and provide for the administration of the Delaware State Infrastructure Bank (SIB), in accordance with the National Highway System Designation Act of 1995 and State enabling legislation. The SIB was funded with a \$4.8 million grant from the FHWA. The Authority was required to provide 25% matching funds (\$1.2 million) from the Trust Fund. The total \$6 million amount was required to be maintained in a separate Highway Account within the Trust Fund.

The SIB loaned funds to help transportation project sponsors pay for highway, transit, and rail improvements, or provide credit assistance that made it affordable for sponsors to borrow money from other sources. Effective June 24, 2008, with permission from the FHWA, the SIB was dissolved. Under the guidelines set forth by FHWA, the Authority was required to deposit the funds from the SIB in a separate State account and must use the funds only for Title 23 and Title 49 eligible projects until fully expended.

**Note S - Commitments and Contingencies**

The Authority had contractual commitments of \$29,135,904 for construction of various highway projects at June 30, 2008. Current and future appropriations will fund these commitments as work is performed.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Notes to Financial Statements (Continued)**

**See Independent Auditors' Report**

**Note T - Risk Management**

The Authority is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. The Authority is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Authority pays premiums to the General Fund for this coverage.

## **Required Supplementary Information**



**Delaware Transportation Authority  
Transportation Trust Fund**

**Supplementary Information for Governments  
That Use the Modified Approach for Infrastructure Assets**

**See Independent Auditors' Report**

<u>Bridge Condition Assessments</u>		<u>Structural Rating Numbers &amp; Percentages for Bridges</u>					
	<u>BCR Condition Rating</u>	<u>2007</u>		<u>2006</u>		<u>2005</u>	
		<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Good	6 - 9	105	91.3	106	91.4	105	90.5
Fair	5	9	7.8	8	6.9	8	6.9
Poor	0 - 4	<u>1</u>	<u>0.9</u>	<u>2</u>	<u>1.7</u>	<u>3</u>	<u>2.6</u>
Totals		<u>115**</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>

		<u>Deck Rating Numbers &amp; Percentages for Bridges</u>					
	<u>OPC Condition Rating</u>	<u>2007</u>		<u>2006</u>		<u>2005</u>	
		<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>
Good	6 - 9	1,582,639	97.9	1,571,240	97.9	1,503,191	95.3
Fair	5	34,294	2.1	34,165	2.1	74,174	4.7
Poor	0 - 4	-	-	-	-	-	-
Totals		<u>1,616,933</u>	<u>100.0</u>	<u>1,605,405</u>	<u>100.0</u>	<u>1,577,365</u>	<u>100.0</u>

		<u>Centerline Mile Numbers &amp; Percentages for Roadway</u>					
<u>Roadway Condition Assessments</u>	<u>OPC Condition Rating</u>	<u>2007</u>		<u>2006</u>		<u>2005</u>	
		<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>
Good	3.0 - 5.0	104.96	87.2	113.06	93.9	107.87	89.6
Fair	2.5 - 3.0	4.98	4.1	3.98	3.3	6.06	5.1
Poor	Below 2.5	2.91	2.4	3.36	2.8	6.42	5.3
Under construction	Unrated	<u>7.55</u>	<u>6.3</u>	-	-	-	-
Totals		<u>120.40</u>	<u>100.0</u>	<u>120.40</u>	<u>100.0</u>	<u>120.35</u>	<u>100.0</u>

Comparison of Estimated-to-Actual Maintenance / Preservation (in Thousands)\*

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Estimated	<u>\$440</u>	<u>\$2,502</u>	<u>\$11,152</u>	<u>\$ 4,531</u>	<u>\$13,839</u>
Actual	<u>\$605</u>	<u>\$4,970</u>	<u>\$17,331</u>	<u>\$10,553</u>	<u>\$15,092</u>

\* The estimated expenditure represents annual Bond Bill authorizations. The actual expenditure represents the current year spending, which includes cumulative authorizations.

\*\* For the year ended June 30, 2007, the SR-1 bridge over the C&D canal was counted as a single bridge. In prior years, the north and south bound lanes were counted separately.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Supplementary Information for Governments  
That Use the Modified Approach for  
Infrastructure Assets (Continued)**

**See Independent Auditors' Report**

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

The condition of bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the FHWA Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9: 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For these reporting purposes, substandard bridges were classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of 6 to 9. A 5 rating is considered fair. The information is taken from past "Bridge Inventory Status" reports.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2008 is not available.

## **Additional Information**

**Delaware Transportation Authority  
Transportation Trust Fund**

**Balance Sheet in Accordance with Trust Agreement**

**June 30, 2008  
With Comparative Totals for June 30, 2007  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2008	2007
<b>CURRENT ASSETS</b>						
Cash and cash equivalents						
Unrestricted	\$ 9,585,398	\$ 209,614	\$ -	\$ -	\$ 9,795,012	\$ 7,438,160
Restricted	-	-	-	20,970	20,970	33,846
Investments - at fair value						
Unrestricted	47,111,005	27,807,401	-	-	74,918,406	155,311,250
Restricted	-	95,104,326	-	12,157,381	107,261,707	109,086,650
Accrued interest receivable	11,000	321,160	-	403,951	736,111	2,099,327
Accounts receivable	4,141,976	795,000	-	-	4,936,976	3,284,837
Loan receivable	-	1,245,511	-	-	1,245,511	1,198,203
Total current assets	60,849,379	125,483,012	-	12,582,302	198,914,693	278,452,273
<b>NONCURRENT ASSETS</b>						
Capital assets						
Infrastructure and land	-	1,058,948,737	-	-	1,058,948,737	1,010,345,209
Buildings and land improvements	-	7,847,309	-	-	7,847,309	7,847,309
	-	1,066,796,046	-	-	1,066,796,046	1,018,192,518
Less: accumulated depreciation	-	2,913,695	-	-	2,913,695	2,724,106
Capital assets	-	1,063,882,351	-	-	1,063,882,351	1,015,468,412
Investments - at fair value						
Unrestricted	-	7,851,390	-	-	7,851,390	3,246,128
Restricted	-	-	-	41,619,183	41,619,183	43,252,196
Accrued interest receivable	-	80,068	-	-	80,068	80,203
Loans receivable, net of current portion	-	22,182,092	-	-	22,182,092	23,462,845
Total noncurrent assets	-	1,093,995,901	-	41,619,183	1,135,615,084	1,085,509,784
<b>TOTAL ASSETS</b>	<u>\$ 60,849,379</u>	<u>\$ 1,219,478,913</u>	<u>\$ -</u>	<u>\$ 54,201,485</u>	<u>\$ 1,334,529,777</u>	<u>\$ 1,363,962,057</u>

Continued...

**Delaware Transportation Authority**

**Transportation Trust Fund**

**Balance Sheet in Accordance with Trust Agreement (Continued)**

**June 30, 2008**

**With Comparative Totals for June 30, 2007**

**See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2008	2007
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 10,568,581	\$ 14,577	\$ -	\$ -	\$ 10,583,158	\$ 18,824,377
Accrued payroll payable	451,704	-	-	-	451,704	408,970
Compensated absences payable	47,055	-	-	-	47,055	45,239
Customer toll deposits	6,040,406	-	-	-	6,040,406	5,174,547
Deferred revenues	-	3,013,425	-	-	3,013,425	4,313,896
General obligation bonds payable	-	676,105	-	-	676,105	599,955
Revenue bonds payable - net of deferred amounts on refunding	-	73,213,228	-	-	73,213,228	67,640,000
Bond issue premium - net of accumulated amortization	-	6,778,782	-	-	6,778,782	6,623,371
Interest payable	-	21,821,745	-	-	21,821,745	23,636,964
<b>Total current liabilities</b>	<b>17,107,746</b>	<b>105,517,862</b>	<b>-</b>	<b>-</b>	<b>122,625,608</b>	<b>127,267,319</b>
<b>NONCURRENT LIABILITIES</b>						
Compensated absences - net of current portion	341,839	-	-	-	341,839	312,340
General obligation bonds payable - net of current portion	-	2,106,901	-	-	2,106,901	2,783,007
Revenue bonds payable - net of deferred amounts on refunding and current portion	-	919,422,825	-	-	919,422,825	951,175,000
Bond issue premium - net of accumulated amortization and current portion	-	21,585,782	-	-	21,585,782	22,730,536
<b>Total noncurrent liabilities</b>	<b>341,839</b>	<b>943,115,508</b>	<b>-</b>	<b>-</b>	<b>943,457,347</b>	<b>977,000,883</b>
<b>Total liabilities</b>	<b>17,449,585</b>	<b>1,048,633,370</b>	<b>-</b>	<b>-</b>	<b>1,066,082,955</b>	<b>1,104,268,202</b>
<b>NET ASSETS</b>						
Invested in capital assets - net of related debt	-	56,797,068	-	-	56,797,068	37,595,366
Restricted	(8,326,893)	103,431,219	-	54,201,485	149,305,811	152,828,438
Unrestricted	51,726,687	10,617,256	-	-	62,343,943	69,270,051
<b>Total net assets</b>	<b>43,399,794</b>	<b>170,845,543</b>	<b>-</b>	<b>54,201,485</b>	<b>268,446,822</b>	<b>259,693,855</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 60,849,379</b>	<b>\$ 1,219,478,913</b>	<b>\$ -</b>	<b>\$ 54,201,485</b>	<b>\$ 1,334,529,777</b>	<b>\$ 1,363,962,057</b>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Revenues, Expenses, and  
Change in Net Assets in Accordance with Trust Agreement**

**For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2008	2007
<b>OPERATING REVENUES</b>						
Pledged revenue						
Turnpike revenue	\$ 117,869,057	\$ -	\$ -	\$ -	\$ 117,869,057	\$ 96,747,605
Motor fuel tax revenue	117,746,431	-	-	-	117,746,431	117,483,765
Motor vehicle document fee revenue	64,615,743	-	-	-	64,615,743	62,689,492
Motor vehicle registration fee revenue	41,292,780	-	-	-	41,292,780	31,463,949
Other motor vehicle revenue	24,170,235	-	-	-	24,170,235	20,475,403
International Fuel Tax Agreement revenue	5,119,792	-	-	-	5,119,792	3,319,506
<b>Total pledged revenue</b>	<b>370,814,038</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>370,814,038</b>	<b>332,179,720</b>
Toll revenue - Delaware SR-1	40,509,218	-	-	-	40,509,218	32,606,361
Property management revenue	-	844,244	-	-	844,244	426,992
Railway tolls	-	1,634,676	-	-	1,634,676	1,498,998
Traffic violations	-	1,605,505	-	-	1,605,505	333,383
Miscellaneous revenue	-	2,968,988	-	-	2,968,988	2,541,277
<b>Total operating revenues</b>	<b>411,323,256</b>	<b>7,053,413</b>	<b>-</b>	<b>-</b>	<b>418,376,669</b>	<b>369,586,731</b>
<b>OPERATING EXPENSES</b>						
Expressways Operations/Toll Administration and interstate operating expenses	17,511,444	-	-	-	17,511,444	16,282,224
Claims and judgments	-	-	-	-	-	769,231
Expenses in accordance with Trust Agreement						
Transportation capital preservation and operations	121,294,160	184,051,160	-	-	305,345,320	302,067,006
Delaware Transit Corporation operations	71,153,800	-	-	-	71,153,800	64,949,492
Depreciation	-	189,589	-	-	189,589	190,452
<b>Total operating expenses</b>	<b>209,959,404</b>	<b>184,240,749</b>	<b>-</b>	<b>-</b>	<b>394,200,153</b>	<b>384,258,405</b>

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Revenues, Expenses, and  
Change in Net Assets in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007  
See Independent Auditors' Report**

			Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
	Operations	Trust Holdings			2008	2007
OPERATING INCOME (LOSS)	\$ 201,363,852	\$ (177,187,336)	\$ -	\$ -	\$ 24,176,516	\$ (14,671,674)
NONOPERATING REVENUES (EXPENSES)						
Pledged revenue - income from investments	1,522,310	6,673,399	356,632	2,223,994	10,776,335	14,774,453
Net increase (decrease) in the fair value of investments	-	(64,949)	(21,710)	1,274,486	1,187,827	783,536
Interest income	-	134,572	-	-	134,572	180,083
Interest expense	-	(38,305,211)	-	-	(38,305,211)	(43,207,653)
Total nonoperating revenues (expenses)	1,522,310	(31,562,189)	334,922	3,498,480	(26,206,477)	(27,469,581)
INCOME (LOSS) BEFORE TRANSFERS	202,886,162	(208,749,525)	334,922	3,498,480	(2,029,961)	(42,141,255)
Transfer from State General Fund	2,813,797	2,876,000	-	-	5,689,797	79,408,528
Transfer from Delaware Department of Transportation	-	5,093,131	-	-	5,093,131	5,494,308
Transfer in of funds in accordance with Trust Agreement	231,622,638	379,066,392	-	254,000	610,943,030	743,483,882
Transfer out of funds in accordance with Trust Agreement	(423,491,960)	(176,007,155)	(9,373,271)	(2,070,644)	(610,943,030)	(743,483,882)
CHANGE IN NET ASSETS	13,830,637	2,278,843	(9,038,349)	1,681,836	8,752,967	42,761,581
TOTAL NET ASSETS - BEGINNING OF YEAR	29,569,157	168,566,700	9,038,349	52,519,649	259,693,855	216,932,274
TOTAL NET ASSETS - END OF YEAR	\$ 43,399,794	\$ 170,845,543	\$ -	\$ 54,201,485	\$ 268,446,822	\$ 259,693,855

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Cash Flows in Accordance with Trust Agreement**

**For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007  
See Independent Auditors' Report**

			Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
	Operations	Trust Holdings			2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 410,581,976	\$ 5,707,942	\$ -	\$ -	\$ 416,289,918	\$ 373,292,805
Payments to employees	(7,086,057)	-	-	-	(7,086,057)	(7,062,116)
Payments to suppliers	(210,974,005)	(184,117,672)	-	-	(395,091,677)	(386,042,796)
Net cash flows provided by (used in) operating activities	192,521,914	(178,409,730)	-	-	14,112,184	(19,812,107)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from State General Fund	2,813,797	2,876,000	-	-	5,689,797	79,408,528
Transfers from Delaware Department of Transportation	-	5,093,131	-	-	5,093,131	5,494,308
Net transfers of funds in accordance with Trust Agreement	(191,869,322)	203,059,237	(9,373,271)	(1,816,644)	-	-
Net cash flows provided by (used in) noncapital financing activities	(189,055,525)	211,028,368	(9,373,271)	(1,816,644)	10,782,928	84,902,836
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Payments of revenue bond principal	-	(67,640,000)	-	-	(67,640,000)	(61,370,000)
Payment to escrow agent for refunding of revenue bonds	-	(42,695,663)	-	-	(42,695,663)	(88,415,000)
Proceeds from revenue bond sale	-	84,720,000	-	-	84,720,000	215,335,000
Payments of general obligation bond principal	-	(599,956)	-	-	(599,956)	(865,109)
Premium from revenue bond sale	-	5,110,752	-	-	5,110,752	6,179,669
Acquisition of capital assets	-	(48,603,528)	-	-	(48,603,528)	(5,497,562)
Payments of interest	-	(46,783,809)	-	-	(46,783,809)	(51,120,184)
Net cash flows provided by (used in) capital and related financing activities	-	(116,492,204)	-	-	(116,492,204)	14,246,814

Continued...



**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Cash Flows in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007  
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2008	2007
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Repayment on loan receivable	\$ -	\$ 1,233,445	\$ -	\$ -	\$ 1,233,445	\$ 11,745,028
Purchase of investments	(1,335,263,229)	(1,302,033,426)	(35,192,677)	(70,784,547)	(2,743,273,879)	(3,760,915,962)
Proceeds from sale of investments	1,332,530,790	1,376,654,612	44,097,282	70,424,560	2,823,707,244	3,661,278,121
Interest received	1,535,310	8,106,527	467,378	2,165,043	12,274,258	13,586,217
Net cash flows provided by (used in) investing activities	(1,197,129)	83,961,158	9,371,983	1,805,056	93,941,068	(74,306,596)
Net increase (decrease) in cash and cash equivalents	2,269,260	87,592	(1,288)	(11,588)	2,343,976	5,030,947
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	7,316,138	122,022	1,288	32,558	7,472,006	2,441,059
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 9,585,398</u>	<u>\$ 209,614</u>	<u>\$ -</u>	<u>\$ 20,970</u>	<u>\$ 9,815,982</u>	<u>\$ 7,472,006</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 201,363,852	\$ (177,187,336)	\$ -	\$ -	\$ 24,176,516	\$ (14,671,674)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and retirements of property and equipment	-	189,589	-	-	189,589	190,452
Changes in assets and liabilities						
Increase in accounts receivable	(1,607,139)	(45,000)	-	-	(1,652,139)	(742,143)
Increase (decrease) in accounts payable	(8,174,707)	(66,512)	-	-	(8,241,219)	2,078,035
Increase in accrued payroll and related expenses	74,049	-	-	-	74,049	115,775
Increase in customer toll deposits	865,859	-	-	-	865,859	5,174,547
Decrease in deferred revenue	-	(1,300,471)	-	-	(1,300,471)	(726,330)
Decrease in other accrued expenses	-	-	-	-	-	(11,230,769)
Net cash provided by (used in) operating activities	<u>\$ 192,521,914</u>	<u>\$ (178,409,730)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,112,184</u>	<u>\$ (19,812,107)</u>

Continued...

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statement of Cash Flows in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2008  
With Comparative Totals for the Year Ended June 30, 2007  
See Independent Auditors' Report**

			Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
	Operations	Trust Holdings			2008	2007
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Interest capitalized on Diamond State Port Corporation loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,181,392

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedule of Revenue Bonds Outstanding**

**June 30, 2008**

**See Independent Auditors' Report**

Principal	Senior												Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	2008 SER A Series	
FY09	\$ 3,885,000	\$ 7,450,000	\$ 3,535,000	\$ 3,495,000	\$ 5,790,000	\$ 3,640,000	\$ 23,890,000	\$ 3,810,000	\$ 1,500,000	\$ 4,290,000	\$ 400,000	\$ -	\$ 61,685,000
FY10	-	-	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	4,460,000	8,005,000	2,270,000	61,965,000
FY11	-	-	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	4,640,000	8,335,000	5,175,000	65,685,000
FY12	-	-	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	5,435,000	66,325,000
FY13	-	-	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	5,705,000	65,735,000
FY14	-	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	1,735,000	64,650,000
FY15	-	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	1,825,000	62,740,000
FY16	-	-	-	-	-	9,985,000	-	22,025,000	7,870,000	5,865,000	105,000	14,620,000	60,470,000
FY17	-	-	-	5,175,000	-	5,435,000	-	18,450,000	2,795,000	6,160,000	4,975,000	15,355,000	58,345,000
FY18	-	-	-	5,405,000	-	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	2,110,000	55,910,000
FY19	-	-	-	-	-	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	2,215,000	53,410,000
FY20	-	-	-	5,935,000	-	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	2,330,000	50,830,000
FY21	-	-	-	-	-	6,535,000	-	6,255,000	3,385,000	7,365,000	22,130,000	2,445,000	48,115,000
FY22	-	-	-	-	-	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	2,540,000	44,545,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	-	2,645,000	40,820,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	8,330,000	-	2,750,000	35,665,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	8,695,000	-	2,865,000	30,580,000
FY26	-	-	-	-	-	-	-	-	11,845,000	9,000,000	-	2,980,000	23,825,000
FY27	-	-	-	-	-	-	-	-	-	9,315,000	-	3,105,000	12,420,000
FY28	-	-	-	-	-	-	-	-	-	-	-	3,240,000	3,240,000
FY29	-	-	-	-	-	-	-	-	-	-	-	3,375,000	3,375,000
	<u>\$ 3,885,000</u>	<u>\$ 7,450,000</u>	<u>\$ 11,160,000</u>	<u>\$ 31,580,000</u>	<u>\$ 5,790,000</u>	<u>\$ 105,710,000</u>	<u>\$ 202,295,000</u>	<u>\$ 157,070,000</u>	<u>\$ 148,000,000</u>	<u>\$ 124,990,000</u>	<u>\$ 87,685,000</u>	<u>\$ 84,720,000</u>	<u>\$ 970,335,000</u>

Principal	Junior 2002 Series	Total Junior Bond Series	Totals
FY09	\$ 11,825,000	\$ 11,825,000	\$ 73,510,000
FY10	12,415,000	12,415,000	74,380,000
FY11	-	-	65,685,000
FY12	-	-	66,325,000
FY13	-	-	65,735,000
FY14	-	-	64,650,000
FY15	-	-	62,740,000
FY16	-	-	60,470,000
FY17	-	-	58,345,000
FY18	-	-	55,910,000
FY19	-	-	53,410,000
FY20	-	-	50,830,000
FY21	-	-	48,115,000
FY22	-	-	44,545,000
FY23	-	-	40,820,000
FY24	-	-	35,665,000
FY25	-	-	30,580,000
FY26	-	-	23,825,000
FY27	-	-	12,420,000
FY28	-	-	3,240,000
FY29	-	-	3,375,000
	<u>\$ 24,240,000</u>	<u>\$ 24,240,000</u>	<u>\$ 994,575,000</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedule of Revenue Bonds Outstanding**

**June 30, 2007**

**See Independent Auditors' Report**

Principal	Senior											Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	
FY08	\$ 3,665,000	\$ 3,215,000	\$ 3,360,000	\$ 3,330,000	\$ 5,515,000	\$ 7,200,000	\$ 22,760,000	\$ 3,635,000	\$ 1,000,000	\$ 2,455,000	\$ 205,000	\$ 56,340,000
FY09	3,885,000	7,450,000	3,535,000	3,495,000	5,790,000	3,640,000	23,890,000	3,810,000	1,500,000	4,290,000	400,000	61,685,000
FY10	-	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	4,460,000	8,005,000	63,245,000
FY11	-	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	4,640,000	8,335,000	64,220,000
FY12	-	3,885,000	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	64,775,000
FY13	-	4,060,000	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	64,090,000
FY14	-	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	62,915,000
FY15	-	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	60,915,000
FY16	-	12,770,000	-	-	-	9,985,000	-	22,025,000	7,870,000	5,865,000	105,000	58,620,000
FY17	-	13,345,000	-	5,175,000	-	5,435,000	-	18,450,000	2,795,000	6,160,000	4,975,000	56,335,000
FY18	-	-	-	5,405,000	-	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	53,800,000
FY19	-	-	-	-	-	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	51,195,000
FY20	-	-	-	5,935,000	-	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	48,500,000
FY21	-	-	-	-	-	6,535,000	-	6,255,000	3,385,000	7,365,000	22,130,000	45,670,000
FY22	-	-	-	-	-	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	42,005,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	-	38,175,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	8,330,000	-	32,915,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	8,695,000	-	27,715,000
FY26	-	-	-	-	-	-	-	-	11,845,000	9,000,000	-	20,845,000
FY27	-	-	-	-	-	-	-	-	-	9,315,000	-	9,315,000
	<u>\$ 7,550,000</u>	<u>\$ 51,985,000</u>	<u>\$ 14,520,000</u>	<u>\$ 34,910,000</u>	<u>\$ 11,305,000</u>	<u>\$ 112,910,000</u>	<u>\$ 225,055,000</u>	<u>\$ 160,705,000</u>	<u>\$ 149,000,000</u>	<u>\$ 127,445,000</u>	<u>\$ 87,890,000</u>	<u>\$ 983,275,000</u>

Principal	Junior 2002 Series	Total Junior Bond Series	Totals
FY08	\$ 11,300,000	\$ 11,300,000	\$ 67,640,000
FY09	11,825,000	11,825,000	73,510,000
FY10	12,415,000	12,415,000	75,660,000
FY11	-	-	64,220,000
FY12	-	-	64,775,000
FY13	-	-	64,090,000
FY14	-	-	62,915,000
FY15	-	-	60,915,000
FY16	-	-	58,620,000
FY17	-	-	56,335,000
FY18	-	-	53,800,000
FY19	-	-	51,195,000
FY20	-	-	48,500,000
FY21	-	-	45,670,000
FY22	-	-	42,005,000
FY23	-	-	38,175,000
FY24	-	-	32,915,000
FY25	-	-	27,715,000
FY26	-	-	20,845,000
FY27	-	-	9,315,000
	<u>\$ 35,540,000</u>	<u>\$ 35,540,000</u>	<u>\$1,018,815,000</u>

**Delaware Transportation Authority  
Transportation Trust Fund**

**Statements of Operating Revenues and Expenses -  
Expressways Operations/Toll Administration**

**For the Years Ended June 30, 2008 and 2007  
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
TOLL REVENUES - DELAWARE TURNPIKE	\$ 113,946,185	\$ 93,055,444
TOLL REVENUES - DELAWARE SR-1	40,509,218	32,606,361
	154,455,403	125,661,805
ADD - TOLL VARIANCE AND VIOLATIONS	1,112,234	571,286
	155,567,637	126,233,091
 SERVICE AREA RENTALS		
Marriott restaurants	1,682,571	1,723,475
Service stations		
Exxon	406,073	787,831
Sunoco / Mobil	410,623	287,529
	2,499,267	2,798,835
 OTHER TURNPIKE REVENUES	311,371	322,040
 TOTAL TURNPIKE REVENUES	158,378,275	129,353,966
 DELAWARE TURNPIKE EXPENSES		
Personnel	2,921,361	2,914,307
Utilities	147,138	161,545
Contracted services	690,024	478,844
	3,758,523	3,554,696
 TOLL ADMINISTRATION EXPENSES		
Personnel	1,091,869	1,110,475
Capital outlay and travel	13,070	60,597
Utilities	72,231	76,722
Contracted services	8,288,166	7,558,314
	9,465,336	8,806,108
 DELAWARE SR-1 EXPENSES		
Personnel	3,072,827	3,037,334
Utilities	291,906	327,923
Contracted services	922,852	556,163
	4,287,585	3,921,420
 TOTAL EXPENSES	17,511,444	16,282,224
 EXCESS OF REVENUES OVER EXPENSES	\$ 140,866,831	\$ 113,071,742

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedules of Expenditures Compared to Budget -  
Expressways Operations/Toll Administration**

**For the Years Ended June 30, 2008 and 2007  
See Independent Auditors' Report**

	2008			2007		
	Budget	Actual*	Variance	Budget	Actual*	Variance
<b>DELAWARE TURNPIKE EXPENDITURES</b>						
Personnel	\$ 2,974,500	\$ 2,892,349	\$ 82,151	\$ 2,974,500	\$ 2,930,270	\$ 44,230
Utilities	143,300	173,300	(30,000)	167,000	167,000	-
Contracted services	621,500	618,866	2,634	598,500	597,055	1,445
	<u>3,739,300</u>	<u>3,684,515</u>	<u>54,785</u>	<u>3,740,000</u>	<u>3,694,325</u>	<u>45,675</u>
<b>TOLL ADMINISTRATION EXPENDITURES</b>						
Personnel	1,027,300	1,080,261	(52,961)	1,027,300	1,087,304	(60,004)
Capital outlay and travel	41,000	56,198	(15,198)	41,000	57,604	(16,604)
Utilities	64,200	89,200	(25,000)	78,500	78,500	-
Contracted services	8,135,300	8,797,340	(662,040)	7,476,000	7,832,602	(356,602)
	<u>9,267,800</u>	<u>10,022,999</u>	<u>(755,199)</u>	<u>8,622,800</u>	<u>9,056,010</u>	<u>(433,210)</u>
<b>DELAWARE SR-1 EXPENDITURES</b>						
Personnel	3,317,900	3,039,398	278,502	3,317,900	3,052,117	265,783
Utilities	404,200	347,200	57,000	313,000	301,000	12,000
Contracted services	848,100	841,453	6,647	809,100	820,019	(10,919)
	<u>4,570,200</u>	<u>4,228,051</u>	<u>342,149</u>	<u>4,440,000</u>	<u>4,173,136</u>	<u>266,864</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 17,577,300</u></u>	<u><u>\$ 17,935,565</u></u>	<u><u>\$(358,265)</u></u>	<u><u>\$ 16,802,800</u></u>	<u><u>\$ 16,923,471</u></u>	<u><u>\$(120,671)</u></u>

\*Includes purchase orders outstanding at June 30.

**Delaware Transportation Authority  
Transportation Trust Fund**

**Schedule of Revenue Bond Coverage**

**June 30, 2008**

**See Independent Auditors' Report**

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities, and bonds outstanding.

(in Thousands)

Fiscal Year	Gross Pledged Revenue	Debt Service Requirements			Coverage*
		Principal	Interest	Total	
1999	\$ 268,650	\$ 33,300	\$ 32,718	\$ 66,018	4.07
2000	292,201	35,330	30,809	66,139	4.42
2001	293,026	35,315	37,537	72,852	4.02
2002	303,794	39,565	35,269	74,834	4.06
2003	302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25
2008	381,590	67,640	46,210	113,850	3.35

\* The above coverage calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all senior and junior bonds. The calculation method used in the Official Statement per the Trust Agreement calculates only the senior bond debt service requirement and subtracts investment income revenue from gross pledged revenue.